

# Production Possibilities Curve

opportunity cost returns...



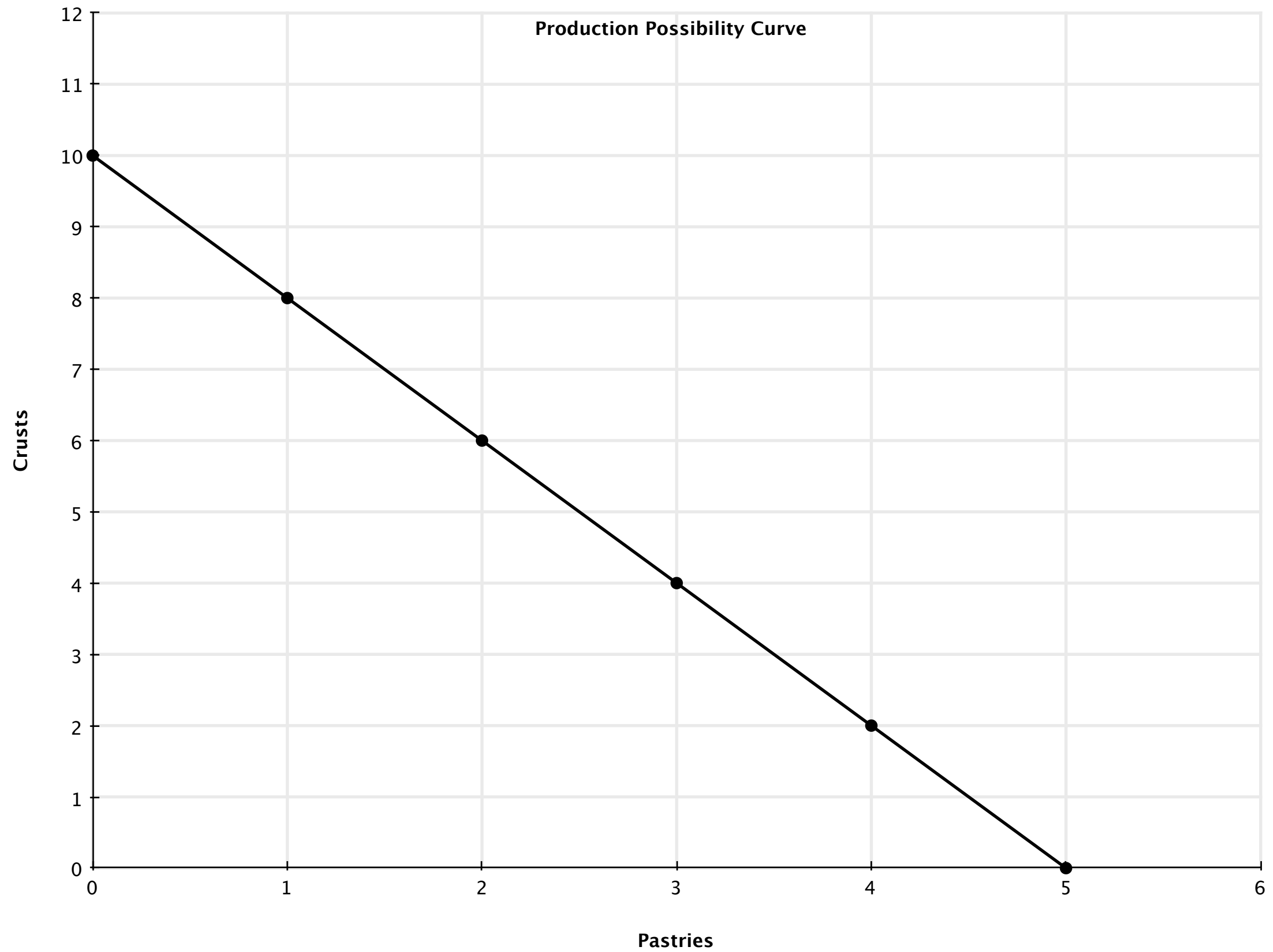
# Izzy's Bakery

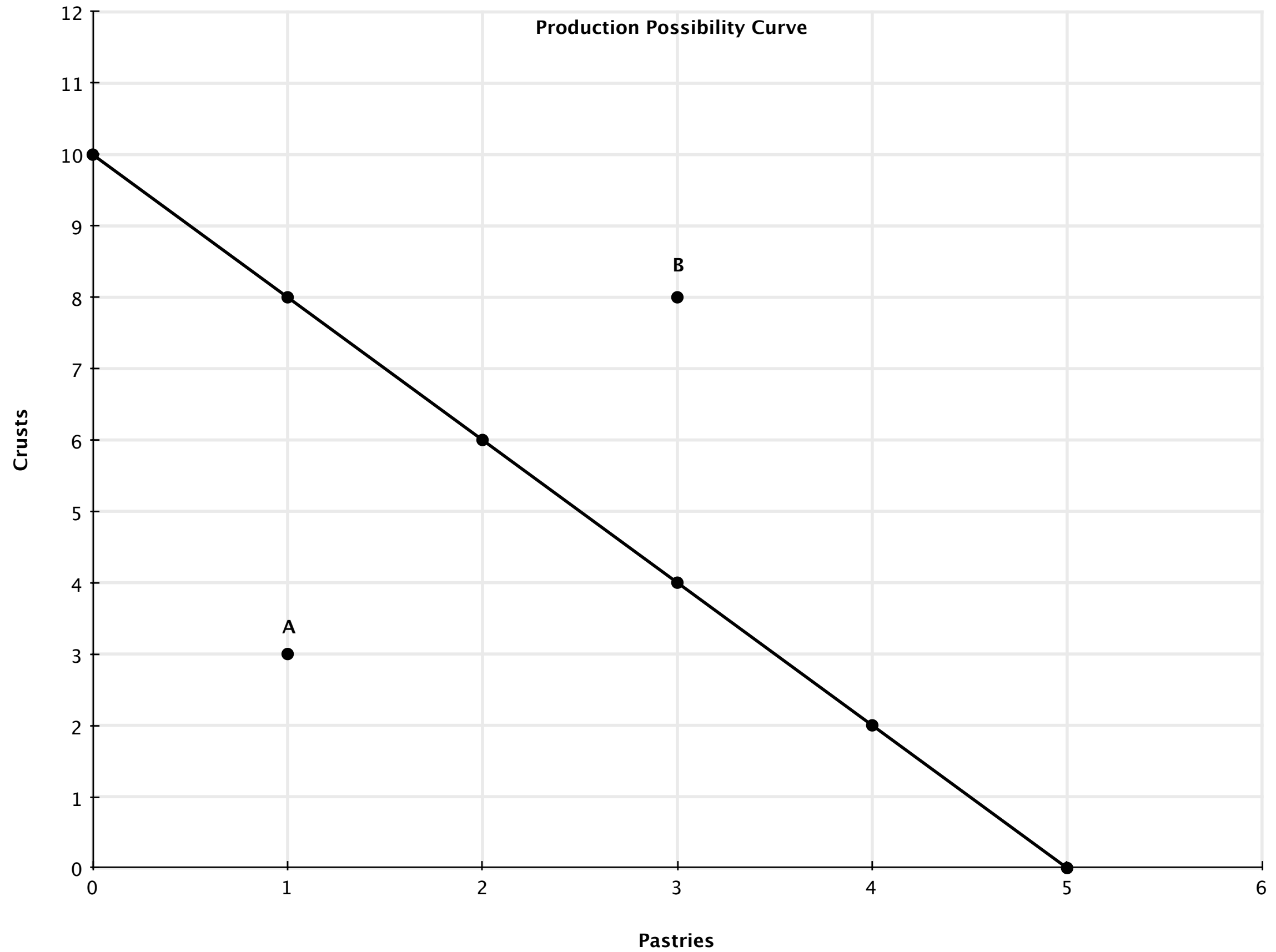
- Can choose to produce pastries or pizza crust...

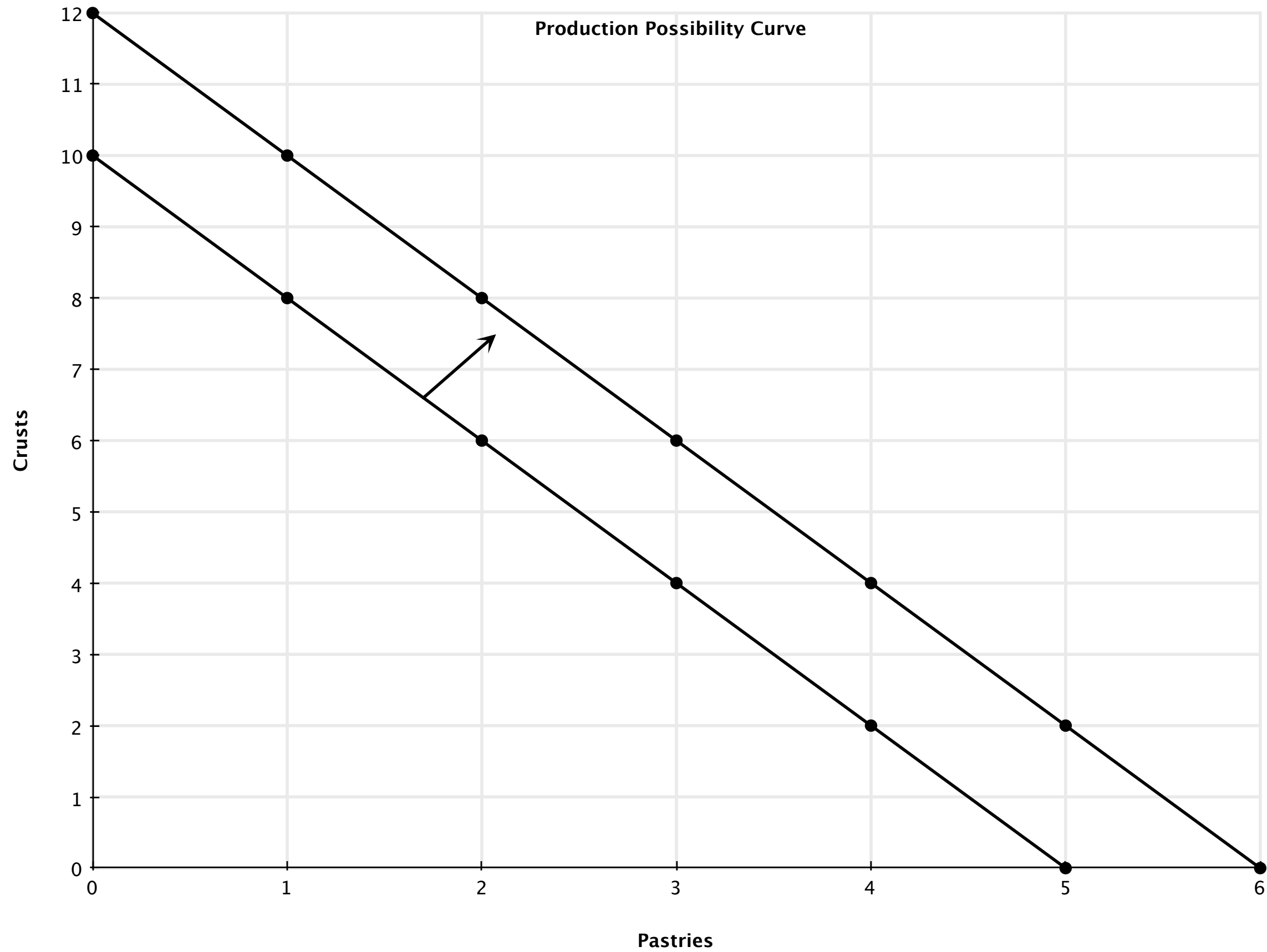


| Pastries | Pizza Crust |
|----------|-------------|
| 0        | 10          |
| 1        | 8           |
| 2        | 6           |
| 3        | 4           |
| 4        | 2           |
| 5        | 0           |











# Izzyland

- ✦ Can choose to build schools or fighter planes...



| Schools | Fighter Planes |
|---------|----------------|
| 0       | 20             |
| 10      | 19             |
| 18      | 17             |
| 22      | 10             |
| 26      | 0              |



- ✦ Draw a PPC.
- ✦ What does it mean if we are somewhere on the PPC?
- ✦ Draw a point which shows an underutilization of resources (label it A). What does this mean?
- ✦ Show what would happen to the PPC if more factors of production become available (label it B). What does this mean?
- ✦ Show what would happen to the PPC if fewer factors of production become available (label it C). What does this mean?



- ✦ What is the cost of producing the first 10 schools?
- ✦ What is the cost of going from 10 to 18 schools?
- ✦ What is the cost of going from 18 to 22 schools?
- ✦ What is the cost of going from 22 to 26 schools?
- ✦ What do you notice about the cost of producing schools?
- ✦ Why do you think this happens?



